LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7253 **DATE PREPARED:** Feb 26, 2002
BILL NUMBER: HB 1196 **BILL AMENDED:** Feb 25, 2002

SUBJECT: Property Tax and Budget Matters.

FISCAL ANALYST: Bob Sigalow; Chris Baker; Jim Landers; Bernadette Bartlett
PHONE NUMBER: 232-9859; 232-9851; 232-9869; 232-9586

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) ***Property Tax Administration*:** This bill makes various amendments for consistency with the change of assessed value to 100% of true tax value. The bill adjusts the amount of the deduction for new manufacturing equipment installed before March 2, 2001, in an economic revitalization area.

This bill requires a county property tax assessment board of appeals or the Indiana Board of Tax Review to consider all evidence relevant to the assessment of real property regardless of whether the evidence was submitted to the township assessor before the assessment of the property. The bill also corrects certain appeal filing periods to the Indiana Board of Tax Review established in HEA 1299-2001.

The bill prohibits disclosure of confidential information by a contractor for the discovery of undervalued or omitted property, and establishes consequences for disclosure. The bill makes other changes to property tax administration.

***Census Updates*:** The bill also updates population parameters to reflect changes in the 2000 decennial census.

***Construction in Process*:** The bill provides that the assessed value for property tax purposes of personal property construction in process is 10% of cost. It also includes personal property assessed as construction in process in Vigo County in the determination of property tax abatement.

Cumulative Fund Rates: The bill provides that certain cumulative fund rate adjustments apply for only one year after a general reassessment.

EDGE Credits: The bill expands eligibility for the Economic Development for a Growing Economy (EDGE) tax credit by making the credit available for certain projects to retain existing jobs as well as for projects to create jobs. It also eliminates the requirement that an applicant for a job creation credit must verify that the applicant has considered locating the project in at least one other state.

Local Budgets: This bill makes certain amendments with respect to excessive levy appeals. It provides that if a political subdivision does not fix the budget, tax rate, and tax levy for the ensuing budget year, the most recent annual budget and tax levy are continued for the ensuing budget year. The bill also eliminates the requirement for a township trustee to advertise a poor relief tax rate.

With respect to bonds and leases: The bill (1) permits an objection petition to the Department of Local Government Finance only if a local objection petition was filed; (2) applies certain provisions for objection only if the project cost is more than $2,000,000; and (3) requires a school corporation to disclose expected new facility operating costs and whether a levy appeal will be made to pay those costs.

Lake County Independent Reassessment**:** The bill makes numerous changes concerning the independent reassessment of Lake County.

Lake County Riverboat Admission Tax: This bill redistributes two cents of the Riverboat Admissions taxes collected from the riverboats docked in Lake County from the County Convention and Tourism Bureau to the Northwest Indiana Law Enforcement Training Center.

Local Option Income Taxes**:** This bill makes numerous changes to the County Adjusted Gross Income Tax, the County Option Income Tax, and the County Economic Development Income Tax.

Local Tax Reporting Agreement: This bill requires the Department of State Revenue to enter into an agreement with the fiscal officer of an entity that has adopted an innkeeper's tax, a food and beverage tax, or an admissions tax to provide the fiscal officer annually with: (1) the name of each business collecting the taxes; and (2) the amount of money collected from each business. Prohibits the fiscal officer from divulging any information disclosed to the fiscal officer by the Department under the agreement.

Marion CRED: This bill provides that an area consisting of property that (1) is located in the city of Marion; and (2) experienced a loss of at least 300 jobs during the year ending December 31, 2001; is added to and becomes a part of the community revitalization enhancement district designated in the city and approved by the Budget Agency before January 1, 2002.

Medicaid**:** The bill provides that a trust, life insurance policy, or prepaid funeral agreement is not exempt as a resource in determining Medicaid eligibility unless amounts remaining after delivery of services are payable to the Office of Medicaid Policy and Planning (OMPP) or the applicant's or recipient's estate. Subject to certain limitations, the bill authorizes the OMPP to place a lien on a Medicaid recipient's real property if the Office determines that the recipient will not return to live in the property.

Personal Property Tax Return Audits**:** The bill prohibits disclosure of confidential information by a contractor for the discovery of undervalued or omitted property, and establishes consequences for disclosure.

Professional Sports and Convention Development Tax: The bill makes various changes to the professional sports and convention development tax area statutes.

Sales Tax Exemption**:** This bill provides a sales tax exemption for transactions involving property that is: (1) capable of providing broadband Internet service; (2) owned by or leased to a broadband service provider;

and (3) located outside a customer's premises.

State/Local Information Agreement**:** The bill requires the Department of State Revenue to enter into an agreement with the fiscal officer of an entity that has adopted an innkeeper's tax, a food and beverage tax, or an admissions tax to provide the fiscal officer annually with: (1) the name of each business collecting the taxes; and (2) the amount of money collected from each business. It prohibits the fiscal officer from divulging any information disclosed to the fiscal officer by the Department under the agreement.

Vanderburgh County Innkeeper's Tax: This bill increases the Vanderburgh County innkeeper's tax from 5% to 6%. It designates the revenue generated by the 1% increase to be used for: (1) operating expenses of the convention and visitors commission; and (2) tourism capital improvement.

Effective Date: (Amended) January 1, 2001 (retroactive); July 1, 2001 (retroactive); January 1, 2002 (retroactive); March 1, 2002 (retroactive); April 1, 2002 (retroactive); Upon passage; May 1, 2002; July 1, 2002; January 1, 2003 .

Explanation of State Expenditures: (Revised) ***Cumulative Fund Rates***: The additional levy authority discussed below in *Explanation of Local Revenues* could obligate the state for up to $2.2 M annually in additional homestead credits beginning in CY 2004.

Department of State Revenue (DOR) Collections: This bill allows the Department to establish a centralized debt collection program within the Department for use by state agencies to collect on delinquent accounts. The bill gives the Commissioner of the Department authority to implement the program and establish the appropriate form and manner in which collection information is to be submitted to the Department. While this bill could have an administrative impact on the Department, the bill contains provisions that are expected to mitigate any impact. The bill allows the Department to retain up to 15% of the delinquent funds collected for a state agency and it reserves the use of the DOR's facilities by other state agencies to times when the facilities would otherwise be available.

EDGE Credits: This bill may increase the amount of EDGE credits awarded annually as a greater number of businesses would be eligible for the credit. Under current statute, only job creation projects are eligible for EDGE credits and, then, only if the credit applicant can verify that another state is being considered for the project. The bill would extend EDGE credit eligibility to businesses considering projects that would retain existing jobs in Indiana. In addition, the bill would eliminate the requirement that another state is being considered for the project. Broader eligibility due to these provisions may expand the applicant pool, creating additional administrative demands on the Indiana Department of Commerce (IDOC) which provides administrative support to the EDGE Board. The IDOC should be able to meet these demands given its current budget and resources. The February 4, 2002, state staffing table indicates that the IDOC has 18 vacant positions.

Under current statute, the State Budget Agency (SBA) is also required to certify that EDGE credit awards will provide an overall positive fiscal impact to the state. An expanded applicant pool may increase the number of EDGE studies performed by the SBA, however, the impact is not expected to be significant.

Lake County Independent Reassessment**:** Under the proposal, the DLGF's contractor(s) would be indemnified against tort claims resulting from work performed on the independent reassessment project. Liability for some of the contractors' actions could fall to the state.

Local Tax Reporting Agreement: The Department of State Revenue would experience an increase in administrative expenses to carry out agreements with the fiscal officers of the approximately 62 entities with any combination of the following local taxes in the state: Innkeeper's Tax, Food and Beverage Tax, and County Admission Tax. (There are currently 58 Innkeeper's Tax entities, 11 Food and Beverage Tax entities, and one County Admission Tax entity with six counties having more than one of these local taxes in place.) Expenses would include programing of business information obtained and printing costs to provide paper copies.

Currently, the Department administers collections of the Food and Beverage Tax and the Admissions Tax. In addition, the Department administers collections of the Innkeeper's Tax for 9 of the 58 counties imposing this tax.

Marion County COIT Speedup: Every year by July 15, the State Budget Agency is required to determine and certify Marion County's COIT balance. Under the bill, the date would be changed to July 2. There should be minimal impact to the Budget Agency in determining the balance for Marion County two weeks earlier than current.

Reporting/Supplemental Distribution Of LOIT: Under current law, the Department of State Revenue must submit a report to each county treasurer before February 1 of each year showing the balance in the county's adjusted gross income tax account balance as of the end of the preceding year. Under the bill, the Department would be required to submit a report to each county auditor the balance of COIT, CAGIT, and CEDIT, as they apply. For CAGIT and COIT, the report must include the account balance from the end of the preceding year and the required six-month and three-month balance from before the end of the preceding year. For CEDIT counties, the report must include the account balance at the end of the year and the required six-month balance as of the end of the preceding year. Under the bill, all proposed reports must be submitted before July 2.

Under the bill, if the Budget Agency recommends and the Department determines that a sufficient balance in excess of either the required six- or three-month balance from the previous year, the Department may make a supplemental distribution to the county from the county's CAGIT, COIT, or CEDIT account. Determinations must be made by July 2. The Department should have sufficient resources to carry out this provision.

Solid Waste Districts: The state's expense for property tax replacement credits (PTRC) could be increased under this bill. Based on the possible additional levies estimated below, the state could have an additional PTRC liability of $109,000 (20% of $545,129) per year beginning in CY 2003. Homestead credits could also increase under this provision by about $24,000 in CY 2003 and $10,000 in CY 2004 and later. PTRC and homestead credit are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional PTRF expenditures would ultimately come from the General Fund.

State Agricultural Advisory Council: This bill abolishes the state Agricultural Advisory Council. The 11-member council currently assists the Department of Local Government Finance (State Tax Board) in determining the value of agricultural land. The Council meets as necessary, and members are eligible for per diem payments and mileage reimbursements. There would be some administrative cost savings to the state with the elimination of the Council.

Explanation of State Revenues: (Revised) ***Broadband Service Sales Tax Exemption:*** This bill expands the current Sales Tax exemption on certain telecommunications equipment and property to include the equipment and property used to provide broadband Internet service. (Broadband service is defined as a service that is able to provide a connection to Internet at speeds greater than 200 kilobits per second downstream. Under current law, certain transactions involving telecommunications equipment are exempt from the Sales Tax if that equipment is used for providing telecommunications services. (Transactions involving the purchase of equipment to provide cable television service or a connection to the Internet via a cable line are currently subject to Sales Tax.)

Technological advances have begun to blur the distinctions between equipment used for telecommunications, cable television, and for providing broadband Internet service. The Department of Revenue's current procedure in these mixed-use cases is to exempt equipment transactions if the equipment is predominately used for providing telecommunications services.

The impact of this bill on future state revenue is currently unquantifiable, as it is contingent upon future expansions and development of the infrastructure that is able to provide broadband Internet services. However, given the expected growth in broadband Internet services available to residential and business consumers, the potential loss of state revenue could be ***significant.***

Construction in Process**:** The State levies a small tax rate for State Fair and State Forestry. A $2.8 B reduction in the assessed value base would reduce the property tax revenue for these two funds by about $92,000 annually.

EDGE Credits: The bill extends eligibility for EDGE credits to businesses that undertake projects to retain existing jobs in Indiana. Under current statute, the EDGE Program is designed to provide a revenue-neutral incentive for businesses to create new investment and jobs in Indiana. Businesses receive credits equal to the individual income taxes withheld for employees filling the newly created positions. Since revenue from these employees would not have been collected in the absence of the new development, the state does not incur a net loss by redistributing the incremental income tax revenue as tax credits to businesses. For job retention projects, no new revenue would be realized since no new jobs would be created. As a result, EDGE credits would be paid from existing revenues, resulting in a net loss to the state equal to the amount of EDGE credits granted to businesses for job retention. However, if a business were to select a more profitable alternative project site and move out of Indiana, there could be an even greater loss of revenue from the reduction in individual (employee's) and corporate taxes.

To be eligible for EDGE credits relating to a job retention project, a business must be involved in research and development, manufacturing, or provision of business services. In addition, the average compensation paid by the business during the previous fiscal year must be at least equal to the average compensation paid in the county in which the business is located. The business also must use the EDGE credits for investment in facility improvements or equipment and machinery upgrades, repairs, or retrofits; or for other direct business-related investments, including training. A business receiving an EDGE credit for a job retention project must maintain operations at the project location for at least twice the number of years as the term of the tax credit. The actual amount of an EDGE credit for a job retention project would be established by the EDGE Board, and would presumably be based on the incremental income tax withholdings attributable to the job retention project. However, the current limitation that EDGE credits not exceed the incremental withholdings only applies to job creation projects under the bill.

EDGE credits may be taken against a taxpayer's Gross Income Tax, Adjusted Gross Income Tax, Supplemental Net Income Tax, Bank Tax, Savings and Loan Association Tax, Insurance Premium Tax, or Financial Institutions Tax liabilities. The duration of the credit may not exceed ten taxable years. In 2000, the EDGE Board approved approximately $63 M in new credits (to be used over several years) for 16 projects. The projects are expected to create 6,382 new jobs with an annual payroll of approximately $308.8 M. From 1994 to 2000, EDGE credits have been approved for 72 projects. During those years, approximately $46.2 M in EDGE credits were made available, with the total amount of credits certified so far equal to about $25.1 M. Approximately $21.9 M in EDGE credits are available for approved projects in tax year 2001. Revenue from individual and corporate income taxes is distributed to the state General Fund. A percentage of corporate Adjusted Gross Income Tax revenue is also distributed to the Property Tax Replacement Fund. Since these provisions are effective upon passage, the changes may impact revenue collections beginning in FY 2003.

Local Budget Appeals: Under current law, a minimum of ten taxpayers may object to a budget, tax rate, or tax levy by filing the objection with the taxing unit within seven days of the unit's hearing to set the budget, rate, and levy. A minimum of ten taxpayers may also object to a county tax adjustment board's action on a unit's budget by filing the objection with the county auditor unit within ten days of publication of the county auditor's notice of the tax rates to be charged. This objection is considered by the Department of Local Government Finance (State Tax Board). According to this bill, if a local appeal was filed and the local unit made no change to the budget, then an objection could only be made to the state if at least 75% of the original objectors also sign the second petition. This provision could reduce the number of budget objections that are forwarded to the Department of Local Government Finance.

Marion CRED: The bill adds an area to the Marion Community Revitalization Enhancement District (CRED) that consists of property that experienced a loss of 300 jobs during CY 2001. The addition could allow the Marion CRED to increase the amount of incremental state sales and income tax revenue it captures beginning in FY 2002. However, the precise impact of this provision is indeterminable.

In addition to allowing the Marion CRED to expand, the bill requires the Department of State Revenue (DOR) to increase the sales and income tax base period amounts for the CRED to account for the additional area. Specifically, the current base period amounts would be adjusted based on the annualized amount of (1) state sales and use taxes remitted from businesses in the area added to the CRED and (2) state and local income taxes paid on wages and salaries earned for work performed in the area during January 2002. The recalculated base period amounts must be completed by the DOR by June 30, 2002. The bill requires the incremental sales and income tax revenues captured by the Marion CRED in FY 2002 to be based on the recalculated base period sales and income tax amounts. The covered state taxes which are included are Sales Tax, Gross Income Tax, Adjusted Gross Income Tax, and Supplemental Net Income Tax. Thus, if a new area is added to the Marion CRED, incremental revenue to the district could increase with a corresponding reduction in state revenue. Under current law, a county's CREDs can capture up to $1 M annually of incremental state taxes.

***Medicaid*:**

Real Property Lien Provisions: This bill would authorize the Office of Medicaid Policy and Planning (OMPP) to place a lien for the cost of all Medicaid expenditures made on behalf of the recipient on a recipient's real property if a determination is made that the individual will not return to live in the property. The bill would allow liens only on real property of Medicaid recipients that has a value in excess of $75,000. OMPP is not authorized to seek or enforce a lien if the recipient's spouse, child, sibling, or other caregivers are residing or continue to reside in the home under specified circumstances. In the event that the recipient returns to the home, OMPP is required to release the lien. OMPP had estimated that the improved ability to recover assets from recipients' estates would result in a savings to the program of $2.7 M, or approximately $1 M in state General Funds. That estimate did not include the $75,000 limitation on the value of the real property.

Medicaid reports that the average value of real estate owned by institutionalized recipients with no spouse at home was approximately $52,000. The limitation of allowing liens only on property with a value in excess of $75,000 would limit the number of qualifying properties on which OMPP could seek to place liens and would reduce the recovery of Medicaid expenditures.

Recovery of Nonprobate Assets: The bill would also expand the type of assets from which OMPP may seek to recover the costs of a recipient's care. Current law limits the definition of the recipient's estate to the property and assets that are included in the probate estate. This definition excludes certain other types of property and assets to which recipients may have legal title or an interest, such as life estates and other types of trusts. The transfer of assets to these nonprobate forms of ownership or interest are some of the common methods used to shield assets from the Medicaid eligibility determination and recovery process. The extent to which assets valued in excess of $75,000 are shielded from the state's recovery process is not known, but increased recoveries from individuals with resources available to help provide the cost of their care will result in savings to the state General Fund.

Recovery of Qualifying Trusts, Life Insurance, and Prepaid Funeral Arrangements: This bill would limit recoveries of Medicaid expenditures to the growth in principal due to accumulation of interest or reinvestment of dividends, rather than allowing the OMPP to recover any excess principal above the cost of the services that allowed the trust to be exempted as a resource in the eligibility determination.

Professional Sports and Convention Development Tax: Under current law, a Professional Sports and Convention Development Tax Area (PSCDA) is a special zone in which certain state and local tax revenues earned in the area are diverted and deposited into a special fund. This fund is dedicated to capital improvement in the development area. The taxes from which revenue may be captured in PSCDAs are the Gross Retail Tax, the Individual Adjusted Gross Income Tax, local food and beverage taxes, and local option income taxes. Currently, PSCDAs are operated by Marion County, Allen County, Evansville, Huntingburg, and South Bend.

Facilities Owned by County Building Authorities: The bill provides that a facility used by a professional sports franchise or for convention- and tourism-related events may be included in a PSCDA if it is owned by a county building authority. Under current law, a PSCDA may include only facilities owned by a city, a county, a school corporation, a local capital improvement board, a civic center's board of directors in South Bend and Mishawaka, or the Building Authority in Gary. This provision would allow facilities that would otherwise not be eligible for inclusion to be incorporated into a PSCDA. It is not known how many existing facilities would be affected, and the precise impact of future development cannot be determined. However, if additional facilities owned by county building authorities are included in PSCDAs, more state revenue could be diverted into PSCDA funds. The amount of state revenue which may be captured is currently limited to $5 for each resident of the establishing unit, and any collections in excess of the maximum allowed would be realized as normal collections.

The four existing PSCDAs (other than Marion County) are not capturing the maximum amount allowed as outlined below in Table A. Money in a PSCDA fund may be used to construct, equip, or finance capital improvements for any facilities included in the area. The table below shows the amount of state revenue distributed from PSCDA funds in FY 2001 as reported by the State Auditor and the current capture limit certified by the State Budget Agency.

FY 2001 Distributions of Captured State Revenue from PSCDA Funds
(Capture limit is $5 per resident of the establishing local unit)

FY 2001 Amount	**Allen County**	**Evansville**	**Huntingburg**	**South Bend**
Individual Withholding Tax	$192,934	$13,331	$7,582	$175,678
Sales Tax	$263,648	$14,267	$2,158	$164,993
State Taxes Captured	$456,582	$27,597	$9,740	$340,671
Current Capture Limit*	$1,504,180	$631,360	$26,210	$527,555
Amount Under Cap	$1,047,598	$603,762	$16,470	$186,884

*For purposes of the Budget Agency's surplus estimates, it is assumed that all PSCDAs annually capture the full amount of state revenue allowed under the capture limit.

New capture limits have not, as of this time, been established by the State Budget Agency. Based on Census 2000 totals, however, the table below presents potential new capture limits for these PSCDAs.

Potential New Capture Limits
(Capture limit is $5 per resident of the establishing local unit)

	Allen County	**Evansville**	**Huntingburg**	**South Bend**
Potential Capture Limit*	$1,659,245	$607,910	$27,990	$538,945

*Based on Census 2000 totals.

Expansion of Allowable Facilities: The bill also expands the category of facility which may be included in a PSCDA beyond athletic coliseums and those used directly for convention and tourism events. The newly allowable facilities would include airports, museums, zoos, nationally significant attractions, performing arts venues, and county courthouses listed on the National Register of Historic Places. This bill also provides that the taxes captured in a PSCDA would be those attributable to the operation of facilities designated as part of the area. Again, if a broader group of facilities could be included in a PSCDA, additional revenue generated by these facilities may be captured.

Extension of Establishment Date for 2nd Class Cities: The bill also extends the deadline by which second class cities may establish a PSCDA. This deadline is extended from July 1, 2002, to July 1, 2003. Potentially, new PSCDAs could be created in Gary and Richmond due to this deadline extension. However, the actual number of new PSCDAs due to the deadline extension is indeterminable. The bill provides that a new PSCDA could be established in Gary without including a facility that is a venue or practice facility for a professional sports franchise. Under the bill, a Gary PSCDA could contain only one facility, and the facility would have to be one of the group of newly allowable PSCDA facilities specified above (see above under *Expansion of Allowable Facilities*). In addition, a PSCDA potentially could be established in Richmond to include Don McBride Stadium. Don McBride Stadium is home to a minor league baseball team in the Frontier League.

If the facilities in Richmond and Gary meet the other pertinent requirements for PSCDAs, at least two new areas could be established under this proposal. However, local units would still have to adopt a resolution establishing the PSCDAs. The Budget Committee must also review any resolutions and the Budget Agency must approve them before revenues are diverted. The amount of state revenue which may be captured would still be limited to $5 for each resident of the establishing unit, and any collections in excess of the cap would be realized as normal collections. The table below presents capture limits based on Census 2000 data for potential PSCDAs in Richmond and Gary.

State Revenue Caps for Potential PSCDAs
(Capture limit is $5 per resident of the establishing local unit)

Establishing Unit	**Richmond**	**Gary**
Potential Capture Limit	$195,620	$513,730

*Based on Census 2000 totals.

Other Provisions: This bill would further require all PSCDAs to contain a professional sports facility (except for PSCDAs in Allen County and Gary). The bill clarifies that if a PSCDA contains multiple facilities, these facilities may have different owners provided they are all eligible owners. If multiple owners exist, this bill would further require the parties involved to establish an agreement specifying the distribution of tax revenues collected for the PSCDA fund.

***Religious Use Land Exemption*:** The State levies a small tax rate for State Fair and State Forestry. Any reduction in the assessed value base, as described below, will reduce the property tax revenue for these two funds.

***Sales Disclosure Penalty*:** This bill potentially increases revenue to the Common School Fund, but could reduce revenue that is deposited in the state General Fund. This is because fines from misdemeanors are deposited in the Common School Fund, while infraction judgements are deposited in the state General Fund. Currently, the maximum judgment for a Class A infraction is $10,000, which is deposited into the state General Fund, while the maximum fine for a Class A misdemeanor is $5,000, which is deposited into the Common School Fund. Besides the issuance of fines, the sentencing court may assess a court fee if a guilty verdict is entered. The court fee for an infraction is $70, while the court fee for a misdemeanor is $120. The state receives 70% of the court fee that is assessed when a guilty verdict is entered and the fee is collected in a court of record and 55% if a case is filed in a city or town court.

South Bend Economic Development Project District: This bill increases the amount the South Bend Redevelopment Commission may receive in Sales Tax increment financing. Under current law, these collections are limited to a total of $1 M. This bill will allow the redevelopment commission to receive up to $1 M of the incremental Sales Tax revenue generated within a specified redevelopment project district each year that is above the revenue generated in a base year, as determined by the Department of Revenue. The bill does not give the city the privilege to collect a Sales Tax.

Depending on local actions, the bill could decrease the amount of new revenue that the state would receive from increased Sales Taxes generated within the district. The overall impact of this provision on the state will be determined by local actions and the economic activity within the district. It is not known how much Sales Tax will be collected and transferred annually. The bill limits any transfer to $1 M annually.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

Tippecanoe County Innkeeper's Tax**:** This bill extends by ten years the period during which 50% of the innkeeper's tax revenue in Tippecanoe County may be allocated to the Department of Natural Resources (DNR) for the development of projects in Prophetstown State Park. The county treasurer must distribute 75% of the money in a special account to the DNR. Twenty-five percent of the revenue must be distributed to a community development corporation for recreation or tourism projects in the county. From July 1, 2002, to December 2006, the corporation must provide not less than 40% of the revenue received as a grant to a nonprofit corporation that leases land in the state park for noncapital projects.

For FY 2000 and FY 2001, the Tippecanoe Innkeepers' Tax generated an average $1.3 M annually. The DNR has received over $1,175,000 over the past two fiscal years (FY 2000 and FY 2001), for an average of $587,500 annually. The DNR has expended $75,000 for development within the park boundaries. An amount of $1.1 M was allocated for land acquisition and additional development.

Under the proposal the DNR would receive 75% of one-half of the tax, or $487,500 annually, for a decrease of approximately $100,000.

Also, under the proposal, 25% of 50% of the revenue, or $162,500 annually, would be used for grants to a community development corporation. For the period between July 1, 2002, and December 2006, not less than 40% of the community development corporation's share of the money, or $65,000, would be granted for noncapital projects to a nonprofit corporation that leases land in the state park.

Explanation of Local Expenditures: (Revised) ***Controlled Projects***: Under current law, a project that includes *the issuance of public debt* of $2 M or more by a local governmental unit or school corporation is a controlled project. According to the bill, any project with a *total cost* of $2 M or more would be a controlled project. This provision would classify an unknown number of additional projects as controlled. Controlled projects are subject to the petition and remonstrance procedure. This provision could potentially allow for new projects with a total cost over $2 M, regardless of the amount of debt issued, to either be stopped or delayed by the property owners or to be pared down. This measure could translate into a reduction in construction spending.

County Agricultural Committees and County Land Valuation Commissions: This bill abolishes county agricultural land advisory committees and county land valuation commissions. Each county agricultural committee is comprised of five members. The valuation indicators determined by this committee are submitted to the state Agricultural Advisory Council for use in determining the value of agricultural land. County land valuation commissions were put into place by HEA 1499 (2001) and will each consist of nine members. Under current law, after 2002, these commissions will determine the value of all land in the counties using Department of Local Government Finance guidelines. Counties are permitted to pay a per diem to county and township assessors for their service to the county land valuation commissions. There would be some administrative cost savings to each county with the elimination of these entities.

County Employee Salaries**:** Under current law, the salary of a non-elected county employee may only be changed on application of the affected employee or department and with a 2/3 vote of the county fiscal body. This provision would also allow the county fiscal body to initiate the application. The requirement of a 2/3 vote of the county fiscal body would be changed to a majority vote.

Data Requirements: This proposal would require county auditors to maintain an electronic data file of tax duplicate data for real property parcels and personal property returns. This information is to be transmitted to the LSA and the DLGF. Most county auditors already maintain this data and have the ability to transfer it to the state. This provision should not have any fiscal impact.

Daviess County CAGIT: In accordance with the provisions of this bill, revenue from the additional tax rate increase of either 0.15%, 0.2% or 0.25% to CAGIT may be used to finance, construct, acquire, improve, renovate, or equip the county jail and related buildings and parking facilities, including costs related to the demolition of existing buildings and the acquisition of land. Additionally, the revenue generated may be used to repay bonds issued or leases entered into for the above.

Elkhart County CAGIT: In accordance with the provisions of this bill, revenue from the additional tax rate increase of either 0.15%, 0.2% or 0.25% to CAGIT may be used to finance, construct, acquire, improve, renovate, or equip jail facilities; juvenile court, detention, and probation facilities; other criminal justice facilities; and related buildings and parking facilities located in the county, including costs related to the demolition of existing buildings and the acquisition of land. Additionally, the revenue generated may be used to repay bonds issued or leases entered into for the above.

Knox County CEDIT: Knox County would be allowed to increase their County Economic Development Income Tax (CEDIT) rate to a maximum rate increase of 0.25%. The Knox County Council would be required to pass an ordinance to increase the rate to cover the costs to finance, construct, acquire, renovate, and equip a county jail including repayment of bonds issued or leases entered for the above listed costs.

When imposing a higher tax rate, the Knox County Council may adopt a higher rate effective only for the duration of time necessary to pay the above listed costs attributable to the county jail.

***Lake County Independent Reassessment*:** Under current law, Lake County is required to pay the cost of the independent reassessment. This bill stipulates that the contractor(s) may periodically submit partial bills, and it sets out the specific procedure to be used by the county in paying the bills. The bills would be paid from the county reassessment fund without appropriation. These provisions clarify procedure, but do not further obligate the county. The bill does, however, limit the county's total payments for all contracts to $25.1 M. If the county auditor fails to certify the contractor's bill, publish or submit the claim, or issue a check, the contractor may notify the DLGF. After such a notification, the State Treasurer would pay the claim from money that would otherwise be sent to Lake County from property tax replacement payments or distributions of admissions or wagering taxes.

Marion CRED: The bill requires the city of Marion to provide an updated list to the Department of State Revenue of the employers, street names, and street numbers contained in its Community Revitalization Enhancement District which is to be expanded under the bill. The bill requires Marion to make this updated report by May 31, 2002.

***Marshall County CAGIT*:** In accordance with the provisions of this bill, revenue from the additional tax rate increase of either 0.15%, 0.2% or 0.25% to CAGIT may be used to finance, construct, acquire, improve, renovate, or equip jail facilities; juvenile court, detention, and probation facilities; other criminal justice facilities; and related buildings and parking facilities located in the county, including costs related to the demolition of existing buildings and the acquisition of land. Additionally, the revenue generated may be used to repay bonds issued or leases entered into for the above.

Monroe County COIT: Under the bill, the Monroe County Income Tax Council must adopt an ordinance determining that revenues from additional county option income tax, above the 1% rate currently imposed, are needed to pay the costs of financing, constructing, acquiring, renovating, equipping, and operating one or more facilities: community correction facility, juvenile treatment center, records keeping facility, county building, animal shelter, or emergency services facility. The additional rate may not exceed 0.25%.

Costs for these facilities may include: land, appurtenances, and infrastructure of a facility and the costs of repayment of bonds issued or leases entered into for the above listed costs of such a facility.

When imposing a higher tax rate, the Monroe County Income Tax Council may adopt a higher rate effective only for the duration of time necessary to pay the above listed costs.

New Facilities: Under current law, local civil units and school corporations that wish to impose a new debt service or lease/rental levy must publish a notice that includes various information about the debt. This bill would require school corporations that wish to open a new facility or reopen an old facility to also provide an estimate of the annual operating cost of the facility and a statement as to whether the school corporation intends to seek an increase in its operating levy to cover those costs.

It is assumed that the operating costs are already being estimated by the taxing units in analyzing the project proposals. Since the units are already providing notices of the public meetings on the projects, the operating costs could be included in those notices at little or no additional charge.

The notice of projected operating costs under this proposal would provide the public with information about the long term cost of a project. If the information available to taxpayers is enhanced by this bill, then the scope of future projects could be affected.

Poor Relief Tax Rate: Under current law, in addition to budgets and proposed levies, each of Indiana's 1,008 township trustees must advertise an estimate of the township poor relief tax rate. Under this proposal, townships would no longer be required to advertise tax rates.

Sales Disclosure Penalty**:** Local expenditures could increase if offenders are incarcerated in local jails instead of being only fined. A Class A misdemeanor is punishable by up to one year in jail. The average daily cost of housing an offender in jail is reported to be $44. There is no term of imprisonment for an infraction.

Tippecanoe County Innkeeper's Tax**:** Tippecanoe County collected $1,373,299 from the 5% innkeeper's tax in FY 2001 and $1,322,714 in FY 2000, for a total of $2,696,013 for the two-year period. Of this two-year total, the county has distributed to the DNR a total of $1,175,000, or 44%. (The percentage may not equal 50% due to the difference in fiscal years.)

Union County CAGIT: In accordance with the provisions of this bill, revenue from the additional tax rate increase of 0.25% to CAGIT may be used to pay for the cost of renovating the Union County Courthouse. The revenue generated by the rate increase would not be considered by the Department of Local Government Finance for civil unit property tax purposes, including determination of the maximum levy for Union County.

Vanderburgh County Innkeeper's Tax: Vanderburgh County locally collects the Innkeeper's Tax. The Vanderburgh County Treasurer would have to revise the Innkeeper's Tax form in order to reflect the proposed change in the rate. The form that would require revision is Vanderburgh County Form 99. Vanderburgh County Form 99 is available online for downloading. Revision to the online form may reduce the number of revised hard copy forms the county would print.

<u>Explanation of Local Revenues:</u> (Revised) ***Abatement Filing*:** This bill would allow taxpayers in Tippecanoe County to receive property tax abatements effective with property tax paid in CY 2002 if:
(1) The designating body granted an abatement for personal property in February, 1999;
(2) The owner has substantially complied with the statement of benefits; and
(3) The owner failed to timely file deduction applications.

Property tax abatements cause a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. If a taxpayer fails to receive the deduction, then the shift of taxes to that taxpayer occurs immediately. By allowing the late-filed deduction under this proposal, the shift is again delayed. The inclusion of taxes paid in 2001would result in a refund to the taxpayer. Property tax refunds reduce the proceeds of current year taxes that are distributed to local civil taxing units and schools. The inclusion of taxes paid in 2002 would result in a revenue reduction for these units.

***Construction in Process*:**

Assessment Percentage: Under the former personal property assessment rules, *construction in process* (CIP) was assessed at 10% of cost through the March 1, 2001, assessment date. Under the new personal property assessment rules effective with the March 1, 2002, assessment date, CIP will be assessed at 87% of cost. This bill would set the assessment percentage of CIP back to 10% of cost.

According to data obtained from the Department of Local Government Finance, CIP at cost amounted to about $3.64 B for the 1999 Pay 2000 tax year. The assessed value is $364 M at 10% or $3.16 B at 87%. If the level of CIP remains constant, this bill would result in an assessed value reduction of about $2.80 B ($3.16 B new assessment less $364 M old assessment). This would translate into an estimated tax shift from the owners of CIP to all taxpayers in all classes of about $53 M in CY 2003. The accompanying tax rate increase is estimated to be $0.0184 per $100 of assessed value.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

Abatement: Under current law, local designating bodies may grant a property tax abatement for up to ten years to the owner of new manufacturing or research & development equipment. The abatement is equal to the assessed value of the property in the first year in which it was installed multiplied by a percentage that declines each year during the abatement period. *Installed* property does not include *construction in process* (CIP). Therefore, the taxpayer cannot receive an abatement for any property that is not completely installed and in service on the assessment date. Under this bill, *construction in process* in Vigo County would qualify for abatement.

Through the March 1, 2001, assessment date, CIP was assessed at 10% of cost. Under the new personal property assessment rules effective with the March 1, 2002, assessment date, CIP will be assessed at 87% of cost. But according to the section of the bill discussed above, CIP would again be valued at 10% of cost. The assessment percentage for equipment in its first year of service will be 88% in the most frequently used pool, according to the new rules.

Currently, the abatement period begins on the assessment date on which the equipment is first fully installed. Under the proposal, the abatement period for equipment in Vigo County would start on the first assessment date on which the owner has possession, regardless of whether the property is installed or CIP. This action would accelerate the timing of the abatement for property that is CIP. However, since the property would be assessed at 10% of cost in its first year, all abatements for the entire abatement period would be based on this lower assessment, thereby greatly reducing the abatement amount available to property that was first assessed as CIP.

Cumulative Fund Rates: Currently, local civil unit cumulative funds and school capital projects funds (CPF) have statutory maximum tax rates. These rates are permanently adjusted under current law each time there is a general reassessment in order to negate the effects of the reassessment. Under this proposal, the adjustment would be valid only in the year that reassessment first takes effect. After the initial year, the maximum rate would return to the statutory rate. If the taxing units choose to increase their cumulative fund tax and CPF rates under this proposal, then the property tax levy would increase.

Cumulative fund and CPF rates were adjusted in 1996 when the last reassessment took effect. Under current law, they would be adjusted again in 2003 when the next reassessment takes effect. This proposal would provide an estimated additional levy authority in CY 2004 and years following of $124.3 M. About $77.0 M of this amount are attributable to school capital projects funds, and the remaining $47.4 M are attributable to the various civil taxing unit cumulative funds. The fiscal impact depends on the extent to which all of the civil units and school corporations take advantage of their additional levy authority.

Daviess County CAGIT: Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of either 0.5%, 0.75% or 1%. (Daviess County currently imposes CAGIT at a 1% rate.) Under the provisions of this bill, Daviess County would be allowed to increase the CAGIT rate by either 0.15%, 0.2%, or 0.25%. The tax rate imposed may not exceed the costs to finance, acquire, improve, renovate, remodel, equip the county jail and related building and parking facilities, including costs related to the demolition of existing buildings and the acquisition of land, and any other reasonably related costs.

The CY 2002 CAGIT certified distribution at a 1% rate for Daviess County is $4,232,627. In order to accommodate the rate increase to CAGIT, the bill allows the maximum combined rate of CAGIT and the County Economic Development Income Tax (CEDIT) for Daviess County to be increased by 0.25%. Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%. The bill would allow this combined rate for Daviess County to be 1.5%. (To date, Daviess County has not adopted CEDIT.)

It is estimated an additional 0.25% CAGIT tax increase would equal approximately $1 M in additional gross revenue for the entire year. An increase in the CAGIT tax rate by 0.2% would generate approximately $846,000 in new revenue for an entire year. Finally, an increase in the CAGIT tax rate by 0.15% would equal approximately $635,000 in additional revenue for an entire year.

The bill allows the county council of Daviess County to adopt an ordinance to increase its CAGIT rate after March 31, 2002, and before September 20, 2002. Under the bill, if an ordinance is adopted before June 1, 2002, the ordinance would become effective July 1, 2002. Additionally, if an ordinance has been adopted before June 1, 2002, the Department of State Revenue would be required to take into account the forwarded certified ordinance for determination of the county's certified distribution for CY 2003.

Under the bill, if an ordinance is adopted after May 31, 2002, the ordinance would become effective January 1, 2003. The bill also requires the Department, no later than thirty days after receiving the certified ordinance, to revise the county certified distribution for CY 2003. Under this scenario, the first distribution reflecting the increased CAGIT rate would be made to the county treasurer on November 1, 2003.

Background: Under current Indiana law, a county must adopt an increase in its CAGIT rate by April 1 of a given year. In July of that year, the State Budget Agency will calculate a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

Elkhart County CAGIT: Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of either 0.5%, 0.75% or 1%. (Elkhart County currently imposes CAGIT at a 1% rate.) Under the provisions of this bill, Elkhart County would be allowed to increase the CAGIT rate by either 0.15%, 0.2%, or 0.25%. The tax rate imposed may be imposed only until the later of the date on which the financing, construction, acquisition, improvement, renovation, and equipping of the above described items are completed or any bonds or lease entered into are paid. Term of a lease or bonds issued may not exceed 20 years.

The CY 2002 CAGIT certified distribution at a 1% rate for Elkhart County is $53,361,932. In order to accommodate the rate increase to CAGIT, the bill allows the maximum combined rate of CAGIT and the County Economic Development Income Tax (CEDIT) for Elkhart County to be increased by 0.25%. Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%. The bill would allow this combined rate for Elkhart County to be 1.5%. (To date, Elkhart County has adopted CEDIT at a 0.25% rate. The Elkhart County CEDIT certified distribution for CY 2002 is $14,406,774.)

It is estimated an additional 0.25% CAGIT tax increase would equal approximately $13.3 M in additional gross revenue for the entire year. An increase in the CAGIT tax rate by 0.2% would generate approximately $10.7 M in new revenue for an entire year. Finally, an increase in the CAGIT tax rate by 0.15% would equal approximately $8 M in additional revenue for an entire year.

The bill allows the county council of Elkhart County to adopt an ordinance to increase its CAGIT rate after March 31, 2002, and before September 20, 2002. Under the bill, an ordinance adopted after March 31, 2002, and before September 20, 2002, would become effective January 1, 2003. If an ordinance is adopted in this time period, certified distributions with the higher CAGIT rate would begin to be received by Elkhart County in CY 2004.

Knox County CEDIT: Current law allows for a maximum CEDIT rate of 0.5%. Knox County currently imposes CEDIT at a 0.25% rate. Raising the rate from 0.25% to 0.75% would generate an estimated $3.4 M in additional revenue. Revenue generated by a CEDIT rate increase would not be allowed to be considered by the Department of Local Government Finance when determining the county's ad valorem property tax levy in a calendar year.

Knox County CAGIT/COIT: Under current law, a county may adopt COIT or CAGIT, but not both at the same time. If a county has adopted COIT and has adopted CEDIT, the combined rate of both taxes may not exceed 1%. If a county has adopted CAGIT and has adopted CEDIT, the combined rate of both taxes may not exceed 1.25%.

Knox County has imposed neither CAGIT nor COIT to date. Under the bill, if Knox County were to pass an ordinance imposing either CAGIT or COIT, the maximum combined rate for the county would be 1.5% for CAGIT and CEDIT and 1.25% for COIT and CEDIT.

***Marshall County CAGIT*:** Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of either 0.5%, 0.75% or 1%. (Marshall County currently imposes CAGIT at a 1% rate.) Under the provisions of this bill, Marshall County would be allowed to increase the CAGIT rate by either 0.15%, 0.2%, or 0.25%.

The tax rate imposed may be imposed only until the later of the date on which the financing, construction, acquisition, improvement, renovation, and equipping of the above described items are completed or any bonds or lease entered into are paid. Term of a lease or bonds issued may not exceed 20 years.

The CY 2002 CAGIT certified distribution at a 1% rate for Marshall County is $10,647,007. In order to accommodate the rate increase to CAGIT, the bill allows the maximum combined rate of CAGIT and the County Economic Development Income Tax (CEDIT) for Marshall County to be increased by 0.25%. Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%. The bill would allow this combined rate for Marshall County to be 1.5%. (To date, Marshall County has not adopted CEDIT.)

It is estimated that an additional 0.25% CAGIT tax increase would equal approximately $2.7 M in additional gross revenue for the entire year to Marshall County. An increase in the CAGIT tax rate by 0.2% would generate approximately $2.1 M in new revenue for an entire year. Finally, an increase in the CAGIT tax rate by 0.15% would equal approximately $1.6 M in additional revenue for an entire year.

***Lake County Independent Reassessment*:** Under current law, the reassessment contractor will use land values prepared by the township assessors. This bill would allow the contractor to redetermine land values if the contractor finds that the values provided by the township assessor do not reflect the true value of land. The valuation used would have an impact on tax rates and the distribution of the property tax burden.

Lake County Riverboat Admission Tax: The bill changes the distribution of Riverboat Admission Tax revenue from riverboat casinos docked in Lake County. Under the bill, $0.08 (instead of $0.10) from each $3 admission tax collected in Lake County would be distributed to the Lake County Convention and Visitors Bureau and $0.02 would be distributed to the Northwest Indiana Law Enforcement Training Center. The new distribution is effective for admission taxes collected after June 30, 2002. Based on FY 2001 distributions, this change would result in a shift in admission tax revenue of approximately $343,000 from the Lake County Convention and Visitors Bureau to the Northwest Indiana Law Enforcement Training Center.

Under current law, a $3 admission tax is imposed on the owner of each riverboat casino in Indiana. The tax must be paid for each person admitted to a riverboat gaming excursion, whether paid or unpaid. Current law requires $0.10 of each $3 admission tax collected from a riverboat to be paid to the convention and visitors bureau or promotion fund of the county in which the riverboat is docked. In FY 2001, $0.10 admission tax distribution to the Lake County Convention and Visitors Bureau totaled approximately $1.72 M.

Local Budgets: Under the bill, a taxing unit's previous budget and tax levy would be continued if the unit fails to adopt a budget, tax rate, and tax levy for the following year. This provision would ensure continued funding at previous year levels if the unit does not adopt budgets and tax rates in a timely manner.

Marion CRED: The bill adds an area to the Marion Community Revitalization Enhancement District (CRED) that consists of property that experienced a loss of 300 jobs during CY 2001; and adjusts the current income tax base period amounts for the CRED based on the additional area. Under current law, incremental revenue from the County Adjusted Gross Income Tax, County Option Income Tax, and County Economic Development Income Tax may be captured by a CRED. Thus, the bill could potentially allow the Marion CRED to increase the amount of COIT in Grant County that it captures beginning in FY 2002. The precise impact is indeterminable.

Monroe County COIT: Current law allows for a maximum COIT rate of 1% (with certain exceptions).

(Monroe County currently imposes COIT at a 1% rate.) Currently, a county imposing COIT may elect to impose CEDIT, however, the combined rate of COIT and CEDIT may not exceed 1%. The bill allows Monroe County to go to 1.25% on their COIT rate. In CY 2002 the Monroe County certified distribution was $21,751,861. It is estimated that a rate of 0.25% increase in the rate would yield an additional $5,437,965 per calendar year.

Monroe County COIT revenues generated from a rate increase of no more than 0.25% would be distributed into the county facilities revenue fund. This revenue would not be allowed to be considered by the Department of Local Government Finance when determining the county's ad valorem property tax levy in a calendar year.

If the Monroe County Income Tax Council adopts an ordinance to increase the COIT rate before April 1 in a calendar year, the tax rate imposed would take effect on July 1 of the calendar year. If the rate increase is adopted after April 1 of a calendar year, the increased tax rate would take effect on January 1 of the year following adoption.

Personal Property Tax Return Audits**:** Under this provision, county assessors, elected township assessors, and county boards of commissioners would be permitted to contract with a vendor to examine and verify the accuracy of personal property tax returns. If any valuation is added to the tax base as a result of these audits, part of the tax burden would be shifted from all taxpayers to the taxpayers whose assessments are increased. If prior year assessments are increased, the taxes paid on the AV increase could first be used to pay the contractor, with the rest distributed to the appropriate taxing units. The bill prohibits contracts that provide payment on a commission percentage basis. In addition, an officer or employee of an entity that contracts to examine tax returns would be required to keep sensitive information confidential. The bill imposes several penalties if confidential information is disclosed.

Professional Sports and Convention Development Tax: The bill provides that food and beverage taxes imposed in Allen County may not be captured for purposes of a PSCDA within that county. Under current law, food and beverage taxes and local option income taxes earned in PSCDAs are also captured for capital improvement, and there is no limit on the amount of local taxes that may be captured. As a result of the bill, the Allen County PSCDA would no longer be able to capture revenue from the food and beverage tax. In FY 2001, $34,132 in food and beverage tax revenue was captured by the Allen County PSCDA.

Offsetting impacts may occur due to this bill's expansion of the category of facilities which may be included in development areas. PSCDA funds may increase by the full amount of additional COIT, CAGIT, and CEDIT revenue any new facilities generate. The increase in revenue would be directed to the PSCDA instead of other local taxing units in the county as provided under current law.

Solid Waste Districts**:** Under current law, solid waste management districts are subject to both a maximum permissible levy and a maximum rate of $0.25 per $100 of assessed value. Because of a change in the definition of assessed value that will take effect with the 2001 payable 2002 tax year, the current $0.25 maximum tax rate will be equal to $0.0833 in 2002. <u>These scheduled changes do not affect tax levies or tax bills in any way</u>. However, for clarity, tax rates in this estimate will be expressed in 2000 terms.

This bill would permit a solid waste management district to appeal to the Department of Local Government Finance for permission to exceed the maximum tax rate beginning in 2003 if the district imposes the maximum rate in 2002, but generates a levy that is less than the maximum permissible levy. CY 2002 tax rates are not yet finalized, so this estimate is based on CY 2001 tax rates and levies.

In CY 2001 there was only one district, Lawrence County, that imposed the full $0.25 tax rate. Two additional districts had rates approaching the maximum: Gibson County at $0.2248 and Washington County at $0.2300. The $0.25 maximum tax rate is not enough to generate the maximum permissible levy for Gibson County or Lawrence County, but is enough to generate the maximum permissible levy for Washington County. Two other counties, Daviess County and Martin County, also have maximum permissible levies greater than that generated by the $0.25 maximum rate. Daviess County currently has a $0.0254 rate, while Martin County has a $0.1365 rate, which provides room for a ten-fold expansion in the tax levy for Daviess and a two-fold expansion for Martin, suggesting that these counties are unlikely to make use of this provision in the immediate future.

The following estimate assumes that districts with 2001 tax rates at or approaching the $0.25 rate limit and a maximum permissible levy greater than that possible under the $0.25 tax rate limit will impose the maximum rate in 2002, and that those districts would take full advantage of the additional levy authority under this bill. The actual fiscal impact of this bill depends on local action.

Solid Waste District	2001 Tax Rate	Additional Possible Levy Under Proposal	Additional Possible Tax Rate Under Proposal
Gibson County	$0.2248	$84,396	$0.0236
Lawrence County	$0.2500	$460,733	$0.1728
Total		$545,129	

***Sales Disclosure*:** Currently, a sales disclosure form must be filed with the county auditor any time real property is sold or transferred for valuable consideration, except a transfer to charity. Filers pay a $5 fee, of which $4 is deposited into the county Sales Disclosure Fund and $1 is deposited into the state Assessment Training Fund. Under this proposal, a party who fails to file the required form would be subject to a penalty equal to the greater of $25 or .025% of the sale price. 80% of any revenue derived from the penalty would be deposited into the county Sales Disclosure Fund, and 20% would be deposited into the state Assessment Training Fund.

***Sales Disclosure Penalty*:** The bill would also change the penalty for filing a false or incomplete sales disclosure form from a Class A infraction to a Class A misdemeanor. Local governments could receive additional revenues from any court fees that are collected for cases that were infractions and are now misdemeanors. 27% of court fees that are collected are deposited in the county general fund when a guilty verdict is entered for a misdemeanor. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. From city and town courts, the county general fund receives 20% of the court fee while the city or town general fund receives 25%.

South Bend Economic Development Project District: If the South Bend Redevelopment Commission utilizes the incremental Sales Tax provisions in this bill, it could increase local revenue by up to $1 M annually. The bill specifies that this revenue could only be used for: improvements related to roads, interchanges, and right-of-ways; certain acquisition and demolition costs; and for physical improvements to a property to enhance the commercial viability of the specified economic development project district.

Tax Exemption Filing: Under current law, taxpayers who own property that is exempt from property tax must file an exemption application with the county auditor. Under this proposal, taxpayers would file exemption applications and all related documents with the county assessor. Under this provision, the county assessor would be better informed as to the exempt status of property. The $2 filing fee would continue to be deposited into the county general fund.

***Religious Use Land Exemption*:** Under current law, up to 15 acres of land on which an exempt building sits (or will sit) is also exempt for most qualifying organizations. The current exceptions are educational institutions, which may exempt up to 150 acres, and 4-H associations, which may exempt up to 200 acres.

This bill would provide an additional exception. Under the bill, religious organizations could exempt up to 50 acres of land, instead of being capped at 15 acres.

In general, additional exemptions would reduce the assessed value tax base. This would cause a shift of the property tax burden from the taxpayers receiving the exemptions to all taxpayers in the form of an increased tax rate. The actual fiscal impact depends on the amount of additional property that would qualify for an exemption under this proposal.

***Reporting/Supplemental Distribution Of LOIT*:** If a county is determined by the Department that there is sufficient revenue in excess of the required six- or three-month balance, the county would be eligible to receive supplemental distributions of their CAGIT, COIT, or CEDIT revenue. Supplemental distributions must be made in January of the ensuing calendar year, and must be allocated and used in the same manner as certified distributions.

The impact to counties with either CAGIT, COIT, CEDIT, or a combination of these would vary and depend on the amount of revenue each county has above the six- and/or three-month sufficient balance. Counties that meet these conditions would have the opportunity to receive additional revenue from LOIT.

Union County CAGIT: Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of either 0.5%, 0.75%, or 1%. (Union County currently imposes CAGIT at a 1% rate.) Under the provisions of this bill, Union County would be allowed to increase the CAGIT rate by 0.25%. Revenue generated by the 0.25% increase must be used for the renovation of the county courthouse.

The CY 2002 CAGIT certified distribution at a 1% rate for Union County is $1,525,493. In order to accommodate the rate increase to CAGIT, the bill allows the maximum combined rate of CAGIT and the County Economic Development Income Tax (CEDIT) for Union County to be increased by 0.25%. Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%. The bill would allow this combined rate for Union County to be 1.5%. (Union County has adopted CEDIT at a 0.25% rate. The CY 2002 CEDIT certified distribution for Union County is $418,084.)

It is estimated that an additional 0.25% Union County CAGIT tax increase would equal approximately $380,000 in additional revenue for the entire year.

The bill allows the county council of Union County to adopt an ordinance to increase its CAGIT rate after March 31, 2002, and before September 20, 2002. Under the bill, if an ordinance is adopted before June 1, 2002, the ordinance would become effective July 1, 2002. Additionally, if an ordinance has been adopted before June 1, 2002, the Department of State Revenue would be required to take into account the forwarded certified ordinance for determination of the county's certified distribution for CY 2003.

Under the bill, if an ordinance is adopted after May 31, 2002, the ordinance would become effective January 1, 2003. The bill also requires the Department, no later than 30 days after receiving the certified ordinance, to revise the county certified distribution for CY 2003. Under this scenario, the first distribution reflecting the increased CAGIT rate would be made to the county treasurer on November 1, 2003.

Vanderburgh County Innkeeper's Tax: In FY 2001, Vanderburgh County collected $1.6 M in Innkeeper's Tax. Based on FY 2001 revenue, it is estimated a 1% rate increase in FY 2001 could have raised an additional $328,000, given consumer patterns were not affected by the rate increase.

Background: Vanderburgh County currently collects the Innkeeper's Tax at a 5% rate. Revenue collected is currently distributed to three funds: Convention and Visitor Promotion Fund (CVPF) (40%), Tourism Capital Improvement Fund (TCIF) (20%), and the Convention Center Operating Fund (CCOF) (20%).

As a result of the increase in the Vanderburgh County Innkeeper's Tax to 6%, the bill modifies the amount of revenue received by the CVPF, TCIF, and CCOF. As of January 1, 2003, revenue would be distributed to these three funds with the following breakdown: CVPF (41.7%), TCIF (25%), CCOF (33.3%).

Under current law, the CCOF is set to expire on January 1, 2006. Under the bill, when the CCOF expires, the two remaining funds would receive revenue in the following breakdown: TCIF (58.3%) and CVPF (41.7%).

Warren Township Personal Property Tax: The bill allows a taxpayer in Warren Township (Marion County) that filed a personal property tax return for the March 1, 2001, assessment date and reported more than $55 M and less than $56 M in total assessed value of personal property to file an amended personal property tax return. The amended return must be filed before January 1, 2003. On the amended return, the taxpayer is entitled to an interstate commerce exemption for inventory to be shipped out of state. The bill provides that the taxpayer is to pay taxes due in 2002 based on the amended return and limits application of this provision only to taxes first due in 2002.

State Agencies Affected: Department of Correction; Department of Local Government Finance (State Tax Board); State Agricultural Advisory Council; Indiana Tax Court; Indiana Board of Tax Review; Office of the Attorney General; State Budget Agency; Department of State Revenue; Department of Natural Resources; Department of Commerce: EDGE Board; The Family and Social Services Administration, Office of Medicaid Policy and Planning.

Local Agencies Affected: Local civil taxing units and school corporations; Township trustees; Trial courts; local law enforcement agencies; County agricultural land advisory committees; County land valuation commissions; Local assessing officials; Daviess County, Lake County; Daviess County; Elkhart County; Knox County; Marion County, Marshall County, Monroe County; Union County; Tippecanoe County; South Bend Economic Redevelopment Commission; Grant County; City of Marion; County Recorders; Vanderburgh County, Vigo County auditor; local units imposing local option income taxes, innkeeper's, food and beverage, or admissions taxes.

Information Sources: Local Government Database; Indiana Sheriffs Association; State Budget Agency; Carrie Bales, Executive Office, DNR, 317.232.5918; Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2001; Indiana Department of Commerce, 2000 EDGE Annual Report, March 30, 2001; Donna Sembroski, Family and Social Services Administration, Office of General Counsel, (317) 232-1282; Jim Mundt, Department of State Revenue, (317) 232-8022.